
CITY OF TEMPE
REQUEST FOR COUNCIL ACTION

Council Meeting Date: 6/27/2013
Agenda Item: 5B7

ACTION: Approve an amendment that extends the current emergency medical transportation services contract for three years with an option for two additional years with PMT Ambulance.

FISCAL IMPACT: There is no cost to the City for this contract. PMT Ambulance collects payment for services directly from the customer.

RECOMMENDATION: Approve the amendment.

BACKGROUND INFORMATION: Five years ago, the City issued a Request for Proposal for emergency ambulance service and received two competitive proposals from Southwest Ambulance ("Southwest") and PMT Ambulance ("PMT"). The City ultimately awarded a five year contract to PMT Ambulance that is set to expire on June 30, 2013. At the time of the bid, PMT, Southwest Ambulance and Southwest's parent company, Rural/Metro Corporation ("Rural/Metro"), were the only firms that possessed a Certificate of Necessity (CON) to operate ambulance service in Tempe, Arizona. (Note- per Arizona Revised Statute, Article 2, 36-2233, the Arizona Department of Health Services (ADHS) requires that "any person wishing to operate an ambulance service" in the state, must first receive a CON from the ADHS director.)

Since the City's 2008 procurement, there have been significant changes to the market place - changes that have dramatically altered the competitive environment. On February 2, 2012, Rural/Metro purchased PMT. As a result of this purchase, both Southwest Ambulance and PMT Ambulance, once rival companies, are now subsidiaries of the same parent corporation – Rural/Metro.

In order to fully understand and evaluate the effects this acquisition would have on a competitive bidding process, on October 25, 2012 City staff met with representatives from all three ambulance companies. During the meeting, representatives from each of the three entities explained that although Southwest Ambulance and PMT Ambulance share separate management teams, which operate independently from each other, they were both ultimately owned and managed by Rural/Metro Corporation. As such, if faced with a bidding process, the management teams of Southwest and PMT would prepare and submit separate proposals to the City, however, per company policy, both bids would be reviewed, approved, signed, and ultimately submitted by the parent company - Rural/Metro Corporation.

Subsequent to this meeting and after careful review, City staff determined that a truly independent and competitive environment was no longer present in the new ambulance market. A fundamental element of a competitive solicitation process requires that the bidders certify that the offers submitted were independently developed without consultation with other bidders or potential bidders. (See Tempe City Code Sections 26A-15(a)(6), regarding rejection of collusive proposals, and 26A-17(g) regarding anti-competitive practices). The new corporate alignment of the three CON holders has eliminated the independence that once existed between PMT Ambulance and Southwest Ambulance, thereby creating a sole source environment.

Under the circumstances, City staff moved forward with negotiating a sole source contract with PMT Ambulance.

Results of Negotiations

As the City began its negotiations, it became evident that it would be in both parties interest to utilize the core structure and content of the existing agreement. Necessary state and county updates along with mutually agreed upon scope changes including renewal terms could be addressed as a modification to the existing agreement. The City Attorney's Office evaluated this approach and confirmed that since the City was operating in a sole source environment, it had the discretion to establish the replacement contract as either a brand new stand alone agreement or an extension of the existing agreement – whichever approach provided the greatest value. Both parties believe that an extension of the existing

agreement coupled with the execution of a contract amendment that addresses mutually agreed upon scope changes is the better option.

Key Components of Agreement

The completed amendment has been attached to this RFCA. The following is a brief highlight of contract features:

- PMT will provide and station 6 dedicated Advanced Life Service (ALS) Type III ambulances within the primary service area on a 24-7 basis;
- Response time for Code 2 calls shall be no greater than 15 minutes;
- Response time for Code 3 calls shall be no greater than 9 minutes;
- At the City's option, for ALS dedicated ambulances billeted at Tempe Fire Stations, the Contractor shall staff each with one EMT-B Qualified Driver and the City shall staff with one (1) Firefighter Paramedic or one Civilian Paramedic with City cost reimbursed by PMT in the amount not to exceed \$88,757.00 per position. Currently, the City utilizes this staffing model at two of the fire stations.
- The City shall receive \$2,400 per month per station from PMT for allowing the company to collocate at the Tempe fire stations;
- PMT Ambulance shall update on-board life support equipment in compliance with Tempe Fire standards;

If approved as recommended, this amendment will become effective July 1, 2013 allowing the contract to continue for three years with two, one year renewal options.

This amendment is conditioned upon approval by the Arizona Department of Health Services and approved submittals of any required performance security and insurance certificates.

ATTACHMENTS: Contract Amendment.

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